

DIVIDEND HOMES, INC.
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November 24, 2009

David Heindel
Assistant to the City Manager
City of Morgan Hill
17555 Peak Ave.
Morgan Hill, CA 95037

Re: Downtown Request for Qualified Developers

Dear David:

Thank you for taking the time to meet with me and review the various projects in the downtown area and the City's plans for the future. Those plans are both interesting and exciting; and, I think they bode well for the future of our City.

We have a definite interest in pursuing the possible development of an apartment/commercial development on Parcel C. Given today's economic climate, the condition of both the residential and commercial markets and the lack of funding at the present time, we are not in a position to request our proposed development of Parcel as the first or initial project for these downtown projects. We would anticipate the start of construction to be in the spring of 2012, at the earliest. If the initial project has not progressed far enough along by that time, then this start date could easily slip by a year. In order to be ready to commence construction by the spring of 2012, we would need at least a two year lead time to meet all of your requirements, to develop plans, have the plans approved, and to put the financing in place. We would therefore request that we be considered for this second or third phase in 2010 so that we have the appropriate amount of time to meet the desired start date.

We would like to develop Parcel C as either the second or third project. In response to your request for specific information, we offer the following:

Our present Company started business in 1994; however, the four principals of the company worked together for many years in a predecessor company that was originally formed as a residential and commercial developer in early 1972. I was one of the founders of that Company, and in the ensuing 37 years we constructed well over 3000 residential units, over a million square feet of office space, and a smaller amount of retail space. Prior to forming the company in 1972, I along with a partner, developed three significant apartment projects: The Westpark Apartments in Palo Alto (over 200 units), the Northpark Apartments in Burlingame (over 300 units) and the Family Tree Apartments in Santa Clara (around 100 units).

Through our former company, we built residential projects in Morgan Hill beginning in the 1980's, including Morgan Ranch (90 units) on East Dunne, Jackson Ranch, Portola Ranch and Sonora Ranch. More recent projects in Morgan Hill developed by Dividend Homes, Inc., include Coyote Estates (206 homes), Mission Ranch (over 300 homes), Alicante (96 homes), Mirasol (78 homes); Capriano (around 40 homes) and the Ranch at Alicante (15 homes).

Our development team is represented by the four owners and principals of the company: myself, Jim Pedicini, Molly Long and Bob Martin. I have an engineering degree from Yale and a law degree from Stanford; Jim has an accounting and master degree from Boston College and Wharton; Molly has a law degree from Santa Clara University. Bob Martin is in charge of all construction and has been with us since 1972. Both Bob Martin and I hold California a State contractor's licenses. I am a California licensed real estate broker. Both Molly Long and I hold California State Bar licenses.

I have personally represented our company at all hearings and business with the City of Morgan Hill, its Planning Commission and City Council for over 30 years. I believe that our reputation and relations with the City of Morgan are outstanding.

We are interested in Parcel C, and we would propose apartments/condominiums over retail and parking on the first floor. Retail would front 3rd Street, with retail and/or office fronting on Depot Street.

Our primary lender is Bank of the West, with whom we have had a relationship for over thirty years. We are not in a position to provide specific financial data at this time. If there is an interest on the part of the City in working with us, we will make such information available.

I have enclosed a brochure on our company for your information. Please let me know if I can assist in any manner in your selection process.

Very truly yours,

DIVIDEND HOMES, INC.



By: Richard B. Oliver
President

Encl.